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DE RUEHKG #1034/01 3361755
ZNR UUUUU ZZH
R 021755Z DEC 09
FM AMEMBASSY KINGSTON
TO RUEHC/SECSTATE WASHDC 0330
INFO RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUEHDG/AMEMBASSY SANTO DOMINGO
RUEHKG/AMEMBASSY KINGSTON
RUEHLO/AMEMBASSY LONDON 0097
RUEHOT/AMEMBASSY OTTAWA

UNCLAS KINGSTON 001034

SENSITIVE
SIPDIS
STATE FOR WHA/CAR (VDEPIRRO) (WSMITH) (JMACK-WILSON)
WHA/EPSC (MROONEY) (FCORNEILLE)
EEB/ESC/IEC (GGRIFFIN)
EEB/ESC/IEC/EPC (MMCANUS)
INR/RES (RWARNER)
INR/I (SMCCORMICK)
SANTO DOMINGO FOR FCS AND FAS
TREASURY FOR ERIN NEPHEW
EXPORT IMPORT BANK FOR ANNETTE MARESH
USTDA FOR NATHAN YOUNG AND PATRICIA ARRIAGADA
OPIC FOR ALISON GERMAK

E.O. 12958: N/A
TAGS: [ECON](#) [ETRD](#) [ENRG](#) [EFIN](#) [EINV](#) [PREL](#) [PINR](#) [SENV](#) [SOCI](#) [TRSY](#)
OPIC, IBRD, IMF, XL, JM
SUBJECT: JAMAICA: NOVEMBER ECONOMIC REVIEW, DROUGHT A RISING CONCERN

Summary

1. (U) Drought conditions continue to hamper business in the Kingston area as water levels reach critical stages from a lack of rain;

-- Entrepreneur and Recording Industry legend Chris Blackwell has failed in his efforts to bring a Grameen Bank style micro-lending operation to the island;

-- ScotiaGroup Jamaica has reported net income for the fiscal year ending October 31, 2009 of USD 125.3 million, a 16 percent increase over last year;

-- The Standard and Poor's rating agency has downgraded Jamaica's sovereign credit as well as long-term corporate credit ratings of National Commercial Bank and Air Jamaica;

-- The U.S. owned Palmyra condominium and spa project in Montego Bay has built a USD 25 million tri-generation plant to produce 3.2 megawatts of electricity;

-- Jamaica has nearly completed its island-wide roll-out of E-10 blended gasoline, in an effort to reduce oil imports and increase its use of renewable fuels;

-- U.S.-based Salamander Hospitality will assume management of the Ritz-Carlton resort in Montego Bay;

-- Marriott hotels is partnering with Pan Jamaican Investment Trust (Pan Jam) to operate a new hotel in Kingston;

-- Home Box Office entertainment has stopped three local cable companies from unauthorized broadcasting of its channels and is working out a deal for compensation to resume service;

-- The Jamaica Intellectual Property Rights office will soon co-locate with the government's trade and investment promotion entity. End Summary.

Drought Conditions

12. (SBU) Low rain levels have caused some of the worst drought conditions in recent years. Charles Buchanan, Corporate Public Relations Manager for the National Water Commission (NWC), told Emboffs on December 1 that water supplies are well below their normal levels at this time of the year and the drought is a significant cause for concern that could rise to a water crisis in the coming months. The areas of Kingston and St. Andrew are the

most affected, and some area schools have been instructed to close by the Public Health Inspector for lack of access to running water. Emboffs have spoken to a few area business owners who have complained that water supplies are unpredictable, forcing them to close their businesses during certain hours. The water levels at the Mona Reservoir are only 51 percent of normal capacity (Mona is the largest regional reservoir holding 809 million gallons) and Hermitage Reservoir which holds 393 million gallons is at 76 percent of capacity. Under normal rain conditions, both reservoirs would be near to overflowing at the beginning of December. As the drought is taking place during the main rainy season which usually replenishes water supplies, the problem will likely intensify during the traditional dry season from late December to March. The GOJ is warning consumers to conserve water as drought conditions continue for the near term. The NWC is hoping to tap into four wells in the Kingston area to improve water supplies, but this process could take three to four months.

Banking / Credit / Ratings

13. (U) Chris Blackwell, best known for his entertainment and recording business Island Records, has been stalled in his efforts to bring a micro-credit group lending program to Jamaica similar to that of the Bangladesh-based Grameen Bank. Blackwell has had to push back his plans after he failed to raise USD 2 million (J\$180 million) in equity capital. Hotel owner Jason Henzell, who led negotiations, says the plan has been delayed, at least until the credit markets regain elasticity. In February 2008, representatives of the Grameen Bank visited Jamaica to discuss establishing a Grameen style bank on the island. Muhammad Yunus, the founder of the Grameen Bank, also visited Jamaica in June, 2008 as part of a lecture series hosted by ScotiaBank. Yunus is famous for creating a micro-loan banking system to provide affordable credit to some of the world's poorest areas. His model has been replicated worldwide.

14. (U) On November 26 ScotiaBank Group Jamaica reported net income

for the fiscal year ending October 31, 2009 of USD 125.3 million, an increase of USD 19.2 million over the same period last year. The growth came despite a decline in net income of the banking division, which the firm said took the brunt of the recession. CEO Bruce Bowen said in a press conference, "Scotia Group Jamaica continues to report solid earnings due to the Group's strong capital and liquidity positions, and our diverse revenue streams." Scotia has not emerged unscathed in the current economic downturn as non-performing loans have increased by USD 6.95 million over last year and currently stand at USD 39.5 million.

15. (U) On November 6, the international rating agency Standard & Poor's followed its November 2nd downgrade of Jamaica's long-term sovereign credit from CCC+ to CCC with parallel markdowns of the island's credit card merchant receivables, as well as the long-term corporate credit ratings for the national airline Air Jamaica and the National Commercial Bank of Jamaica (NCB). The agency justified the move based on its fears of a distressed debt default. The adjustments of the corporate credit ratings are more of a policy matter, in line with agency rules as companies cannot be rated higher than the sovereign territories in which they are domiciled. (Reftel A).

Energy/Renewable Energy

16. (U) The Palmyra 300-unit condominium and spa project in Montego Bay has built a USD 25 million tri-generation plant to produce its own electricity, steam, and air conditioning. The 3.2 megawatt plant is fueled by liquid propane gas (LPG), which has virtually no greenhouse gas emissions. The plant will generate 1.752 tons of refrigeration for air conditioning. (NOTE: Jamaica has some of the highest energy costs in the region; Palmyra's move is to insulate the project from rising energy costs as well as power outages that are caused from an increasingly antiquated electricity infrastructure. END NOTE). Palmyra is considering future alterations to the plant to allow it to use bio-gas derived from sewage and to mitigate the cost of purchasing LPG. Planned expansion of the Palmyra site includes shopping, entertainment, auditoriums, and a casino.

17. (U) The government announced it had nearly completed its full E-10 (10 percent ethanol blended gasoline) roll out at fueling stations across the island. Effective November 1, Jamaica's sole refinery, Petrojam, started producing its entire 87 and 90 octane gasoline with the E-10 blend. This comes one year after the E-10 blend was first introduced in 87-octane gasoline. The full roll-out of the E-10 blended gasoline was initially scheduled for April, but was delayed mainly because the ethanol storage tanks in Montego Bay had not yet been constructed. The Ministry of Energy has made the E-10 program a priority, and it pushed for island-wide distribution. The move is part of the Ministry's goal of increasing the use of renewable energy and reducing the island's dependence on imported oil.

Tourism

18. (U) The U.S.-based Salamander Hospitality is set to take over the management of the 428 room Ritz-Carlton resort in Montego Bay. The resort, owned by Michelle Rollins and the GOJ, has been managed by the Ritz-Carlton for nine years. Salamander is owned by Sheila Johnson, cofounder of BET media, along with her husband Robert. The Johnsons sold BET in 2000 for USD 3 billion. Salamander operates three other hotels in the United States.

¶9. (U) Marriott hotels is partnering with Pan Jamaican Investment Trust (Pan Jam) to operate a new hotel in Kingston. Pan Jam recently purchased a 161,610 square-foot lot for USD 5.1 million from the GOJ in the Knutsford Park area of New Kingston. Pan Jam CEO Stephen Facey, speaking to The Observer newspaper on November 24 said the project will be a mixed use to include the hotel, retail shops, office space, and recreational facilities.

Intellectual Property Rights

¶10. (U) Home Box Office (HBO) has scored an intellectual property rights victory in Jamaica by reaching an agreement with Telstar cable to resume distributing two of HBO's movie channels through HBO Latin America Group. In September, HBO had sent a letter ordering Telstar and two other cable operators, Flow and Logic One, to stop distributing channels without the proper authorization. The cable providers complied, pulling the channels from the cable offerings. HBO has worked out a preliminary compensation agreement with Telstar. It is estimated that HBO was losing approximately USD 5 million from the unauthorized broadcasts.

¶11. (U) The GOJ announced the operations and offices of the Jamaica Intellectual Property Office (JIPO) will be moved to the building that houses the Jamaica Trade and Invest (JTI) office. Minister of Industry and Commerce Karl Samuda announced the move at the Jamaica's National Export Strategy (NES) meeting on November 19. Samuda said the move will strengthen JIPO through better collaboration among various government agencies and the private sector.
Parnell